



NOTES FROM THE: Auditor General of the Air Force

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Professional Auditing Standards

Our clients occasionally hear us refer to “audit standards” and may wonder what these “standards” encompass. Like other professions, government auditors must follow a set of formal guidelines. The Comptroller General establishes and publishes these requirements in the Government Auditing Standards (often called the “Yellow Book” because of its yellow cover), and they apply to most audits of local, state, and federal organizations, as well as audits of nongovernment organizations receiving government funds. A brief discussion of these standards may help in understanding the methods used to conduct audits and report the results.

General Standards

The Yellow Book establishes four general standards. The Qualifications standard requires that the audit staff possess adequate professional proficiency. Auditors must have a thorough knowledge of government auditing and specific knowledge relative to the nature of the audit being conducted. For example, auditors reviewing computer systems should possess appropriate computer knowledge and skills. This standard also requires that each auditor complete at least 80 hours of continuing professional education every 2 years. The Independence standard requires that auditors and the audit organization be free from personal and external impairments to independence. This standard prohibits a personal, financial, or professional relationship with an auditee that could cause an auditor to limit the extent of inquiry, limit disclosure, or slant findings. To maintain organizational independence, the audit organization must report directly to the head of its government entity (in our case, the Secretary of the Air Force). The Due Professional Care standard requires auditors to use sound judgment in establishing the scope, methodology, and tests for the audit. Finally, the Quality Control standard requires that audit organizations have an internal quality control function to ensure they follow applicable audit standards, establish adequate audit policies, and produce professional products. Further, this

standard requires the audit organization to receive an external quality review every 3 years.

Field Work Standards

The standards for audit field work are extensive and vary, depending on whether the audit is financial or performance. However, four key standards are common to both audit types. The Planning standard requires that auditors adequately plan the audit, including the objectives, scope, and methodology. Planning also includes assessing the significance of the audit subject and the customer’s needs. The Supervision standard requires the audit organization to provide proper supervision over staff auditors. Supervisors must have direct involvement in the audit, continually oversee audit progress, and ensure all standards are met. The Management Controls standard requires auditors to gain an understanding of the audited organization’s management controls (or internal controls) relevant to the audit. The Evidence standard requires sufficient, competent, and relevant evidence to afford a reasonable basis for the auditor’s findings and conclusions.

Reporting Standards

Several standards apply to the audit report contents and presentation. First, auditors must prepare written reports to communicate the audit results. The report must include the audit objectives, scope, and methodology. The contents should include noteworthy accomplishments of the audited organization as well as areas where improvements are necessary. The report should also provide recommendations to correct problem areas and improve operations. Finally, the report should include the views of management officials from the audited organization.

Conclusion

The Air Force Audit Agency strives to provide our customers quality audit services. Adherence to generally accepted government auditing standards (“Yellow Book”) helps us ensure we meet auditing requirements and improve operations.